



WILLIAM T FUJIOKA
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://ceo.lacounty.gov>

March 11, 2008

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

CONSENT TO CHANGE IN OWNERSHIP GRAND AVENUE PROJECT (ALL DISTRICTS AFFECTED) (3 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Consent to changes in its ownership structure requested by the Grand Avenue Project Developer, Grand Avenue L.A. LLC, as recommended by the Grand Avenue Committee to both the County and the Community Redevelopment Agency of the City of Los Angeles before action by the Grand Avenue Authority pursuant to the applicable Disposition and Development Agreement.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Grand Avenue LA, LLA (Developer) has requested consent from the Grand Avenue Authority (Authority) for a change in ownership structure for Phase I of the Grand Avenue Project (Project). Prior to the Authority's action, the County and the Community Redevelopment Agency of the City of Los Angeles (CRA) are required to provide their consent. These actions are required for changes in ownership prior to completion of the construction by the Disposition and Development Agreement (DDA) between the Authority and Developer which was previously approved in form and substance by your Board on February 13, 2007. The requested change is to replace the current ownership structure outlined in the DDA (Attachment A) with the proposed new ownership structure (Attachment B). The Grand Avenue Committee will recommend that the Authority execute

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

the "Consent to Change in Ownership Structure of Grand Avenue LA, LLC" (Attachment C) which provides a detailed description of the Developer's requested action. The CRA has calendared its consideration of the same request for consent for March 6, 2008.

Background

The Authority was created in September 2003 through a Joint Powers Agreement between the County and CRA and is a separate legal entity which selected The Related Companies, L.P. (Related) as the developer for the Project in September 2004 after a public process. In January 2006, the Authority approved the current ownership structure of a joint venture between Related Grand Avenue, LLC (a wholly owned subsidiary of The Related Companies) and California Urban Investment Partners, LLC (CUIP) (an entity owned 97% by CalPERS and 3% by MacFarlane Urban Realty Company LLC) (Attachment A). CUIP has decided not to participate in the Project.

In February 2007, your Board approved various actions relative to the phased development of the mixed-use Project. Among those actions was the approval in form and substance of the DDA between the Authority and the Developer which outlined the terms and conditions for development and lease of the Bunker Hill Properties owned by the County and the CRA. The DDA requires that the County and the CRA must consent prior to the Authority consenting to the proposed change in ownership structure.

The Grand Avenue Committee (Authority staff), its counsel and its economic consultant, Keyser Marston Associates (KMA), have reviewed the requested Developer ownership structure change, the financial capacity of the proposed new entities and all related documents and recommends approval. KMA has concluded that each of the proposed new members of the Grand Avenue development entities have financial resources adequate to meet its obligations as required under the DDA and Ground Lease. According to KMA both proposed new partners have strong balance sheets and extensive histories of investing in large-scale real estate projects in major urban areas.

Change in Ownership Structure

The proposed new ownership structure for the Project Phase I, as outlined in Attachment B, will be capitalized by Related (55%) and Istithmar Building FZE described below (45%). However, in the future, Related may seek approval to transfer a portion of its position to an institutional investor, but would retain a 10% capital position.

Further, Related has reached an understanding with the Mandarin Oriental Hotel Group Limited (Mandarin), described below, to operate the hotel component within the project as a Mandarin Oriental Hotel and own a percentage of the hotel component upon completion of construction. Related will initially hold Mandarin's interest in the hotel component but will transfer the interest to a Mandarin affiliate upon the conclusion of negotiations.

The agreements between the Related entities and the Istithmar entities comply with the requirements of the DDA regarding (i) a significant capital commitment from Related, (ii) significant participation in profits from the Project by Related, (iii) limited ability of the investors to remove Related as the developer of the Project, and (iv) net worth and liquidity on the part of each investor that is adequate to fund the equity capital commitments required for the Project.

In order to accommodate Mandarin's proposed ownership of 50% of the hotel component after construction, as well as to accommodate the anticipated tax credit equity investor for the affordable housing component of the Project, intermediate entities have been introduced into the ownership structure that were not previously contemplated. While this restructuring results in some additional complexity, based on input from the Developer, this structure closely resembles the ownership structure employed for Related's Time Warner Center project in New York City, which also included many of the same participants.

Project Phases II and III ownership structure will remain solely with Related (through its subsidiary Related Grand Avenue II, a Delaware limited liability company), unless and until a future transfer of interests in either or both Phases is approved by the Authority, the County and the CRA under the terms of the DDA.

Project Components other than the Hotel

As proposed under the new structure, Related will be a member of Grand Avenue LA Owner, LLC, with a 45% capital interest and 25% profits interest in Grand Avenue Investor, LLC, a wholly-owned subsidiary of Related and 10% capital interest and 40% profits interest in Related Grand Avenue, LLC, and another wholly-owned subsidiary of Related. The remaining member of Grand Avenue Owner, LLC, with a 45% capital interest and 35% profits interest will be the Istithmar Group, a wholly-owned subsidiary of Istithmar. Istithmar is a subsidiary of Dubai World, which is a holding company that manages and supervises a portfolio of businesses and projects for the Dubai Government. In addition, a separate agreement between affiliates of Istithmar and Related has been proposed which states that as long as the Grand Avenue Investor Group and the Related Group are affiliates, certain major decisions, such as the prosecution or defense of certain litigation, change in accounting systems, retention of attorneys, accountants and appraisers and compliance

with environmental laws, require the approval of Istithmar. While this provision gives Istithmar veto rights over various major decisions, these rights are typical of comparable joint ventures and not inconsistent with the role of Related as the developer of the Project. Related will remain responsible for the day to day control over the development and construction of the Project as required by the DDA. However, as provided under the DDA, should Related default under its obligations, Istithmar, or a wholly owned subsidiary or affiliate of either of them, would have the right to temporarily replace Related as the Administrative Member of the Developer.

Related has confirmed that the Related Key Personnel (as defined in Section 906(a) of the DDA) will have a greater than 30% interest in the profits of Related Grand Avenue, LLC, which the Grand Avenue Committee believes satisfies the requirement of 906(1) of the DDA that the Related Key Personnel have a "substantial financial interest" in the Project.

No transfer of any individual components of the Project will occur until after completion, and prior to the completion of individual components, Developer will continue to be the sole tenant under the Ground Lease.

Hotel Component

Under the new structure, Grand Avenue LA Owner, LLC will own 50% of Hotel, LLC and Related will initially be the owner of the other 50%. Upon completion of negotiations with the Mandarin, Related will transfers its 50% ownership in Hotel, LLC to an affiliate of Mandarin. Mandarin will also have significant management and decision making rights regarding the Hotel component prior to completion of the Hotel.

Summary Descriptions of Proposed Partners

Istithmar is a part of Dubai World, a privately held holding company owned by the government of Dubai. Istithmar was an investor in the Mandarin Oriental Hotel in New York, which was part of Time Warner Center. Dubai World has a diversity of business interests that include real estate development, investments and port operations. Istithmar's principal activities include real estate acquisition, development and management with real estate assets in excess of \$8.0 billion. Comparable investments to the Project are: Victoria & Albert Waterfront, Cape Town; Snowmass Village, Colorado; Mandarin Oriental, New York; and 450 Lexington Avenue, New York.

Mandarin Oriental Hotel Group, a subsidiary of Mandarin Oriental International Limited, is an international hotel investment and management group operating 36 deluxe and first class hotels and resorts worldwide, including an additional 16 under development worldwide. The company has an equity investment in most of the hotels it manages, including the New York property located in the Time Warner Center project.

FISCAL IMPACT/FINANCING

Approval of the partnership change does not change the economic benefits of the Project to the County.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The Developer submitted its request to the Grand Avenue Authority for approval of the restructuring of its ownership in accordance with Articles 9 and 15 of the DDA and Article 11 of the Ground Lease. The Authority has the power under the DDA and Ground Lease, acting after the County and the City Redevelopment Agency has approved this restructuring, to consent to restructuring.

At the time of Authority review of the Developer's request, Authority staff will report on the prior actions of the County and the CRA. Co-counsel for the Authority, the County Counsel and the City Attorney, will approve as to form the Authority's consent document (Attachment C) prior to its execution by the Authority.

ENVIRONMENTAL DOCUMENTATION

On February 13, 2007, acting as a responsible agency, your Board certified the Grand Avenue Project Environmental Impact Report as prepared and certified by the Grand Avenue Authority as lead agency for the Grand Avenue Project. The recommended action is within the scope of the Project in the previously certified Environmental Impact Report.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

None.

Honorable Board of Supervisors
March 11, 2008
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CONCLUSION

Upon approval of the recommendation, please forward an adopted, stamped copy of the Board letter to my office.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. T. Fujioka', written in a cursive style.

WILLIAM T FUJIOKA
Chief Executive Officer

WTF: DL:JSE
DJT:DKM:mc

Attachments (3)

c: County Counsel
The Los Angeles Grand Avenue Authority

ATTACHMENT A

CURRENT OWNERSHIP STRUCTURE OF GRAND AVENUE

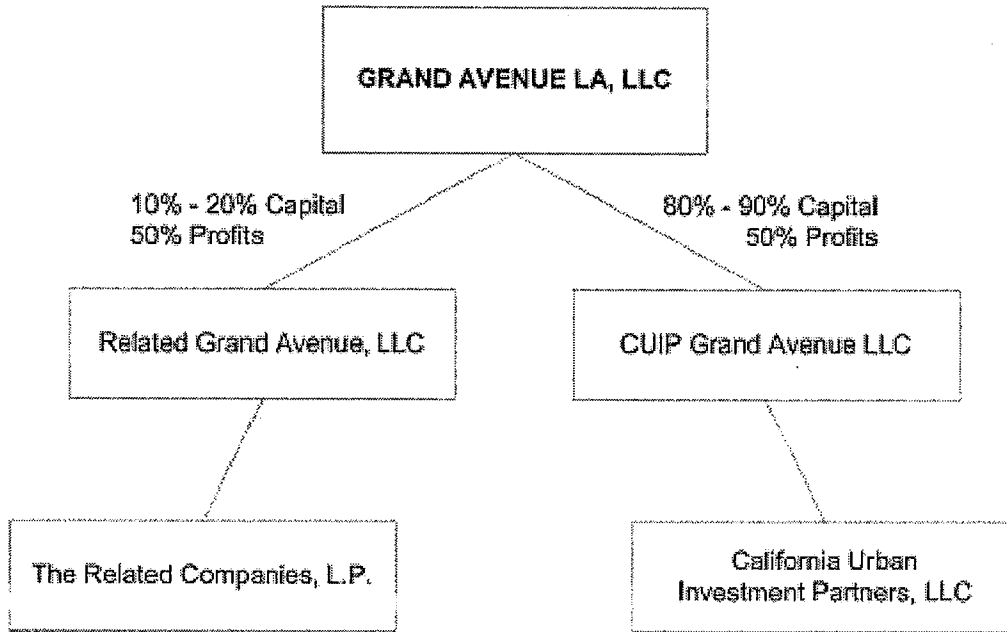
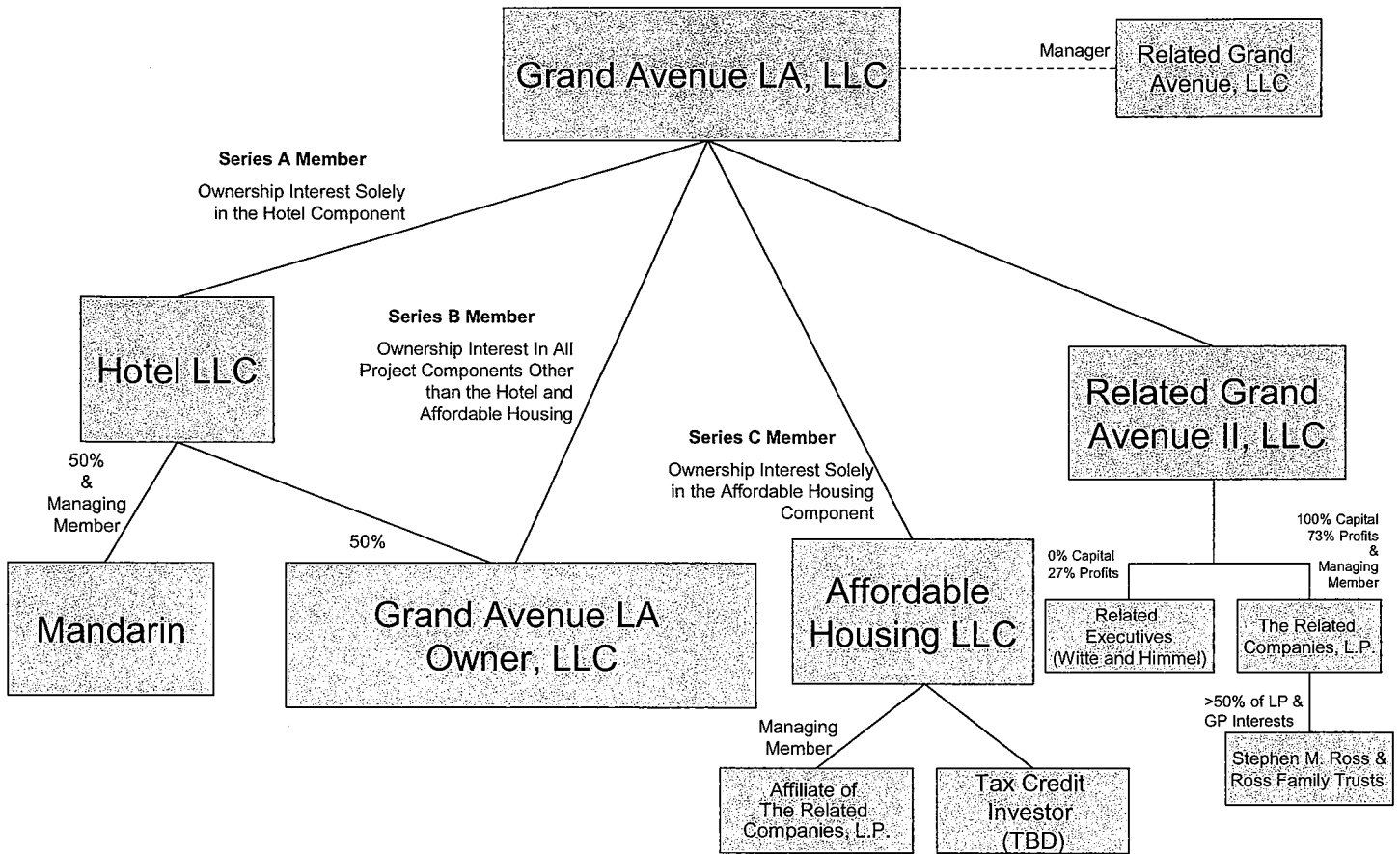


EXHIBIT "A-1"

NEW OWNERSHIP STRUCTURE OF GRAND AVENUE LA, LLC

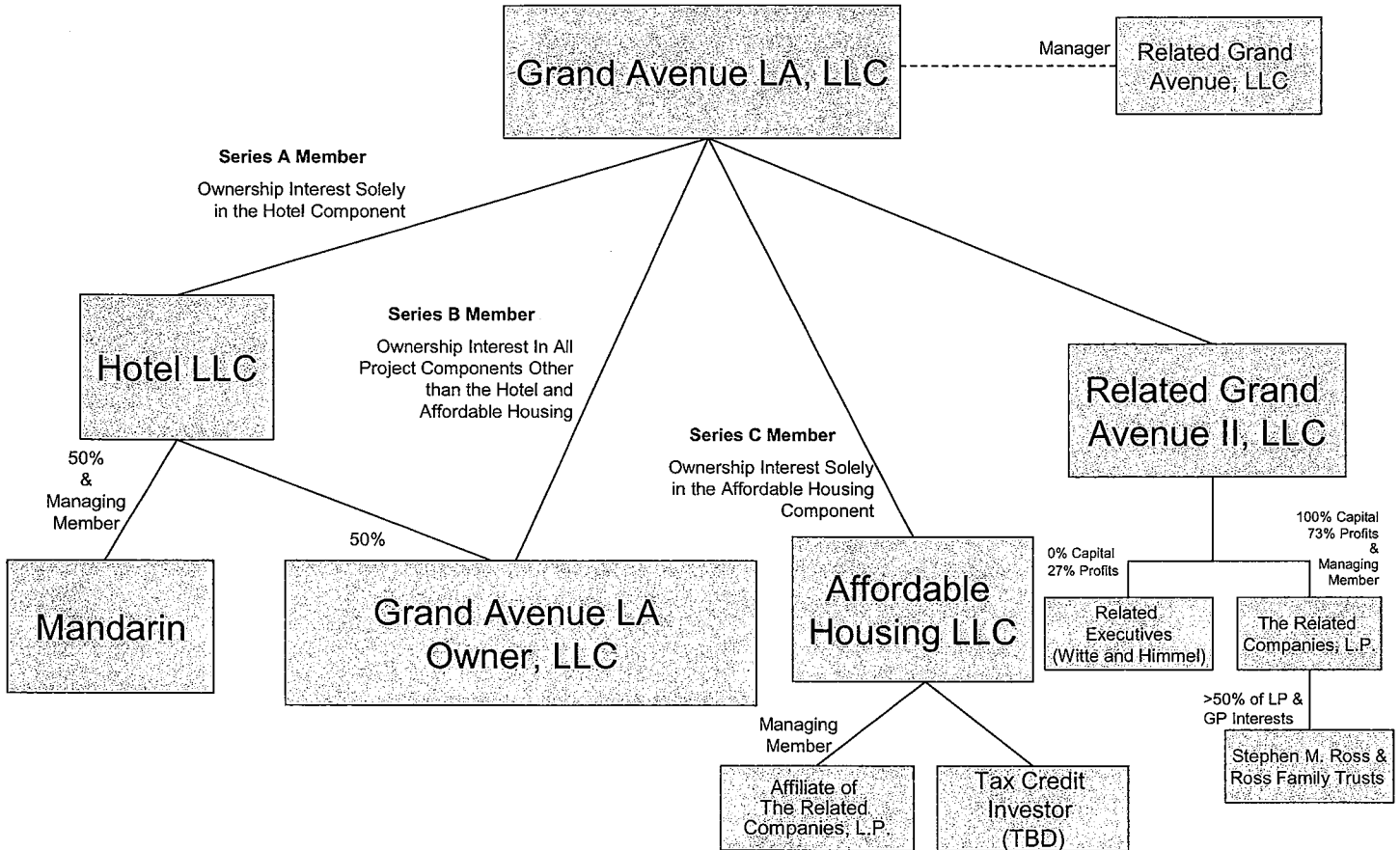
(Replaces Schedule 1501 to the DDA)

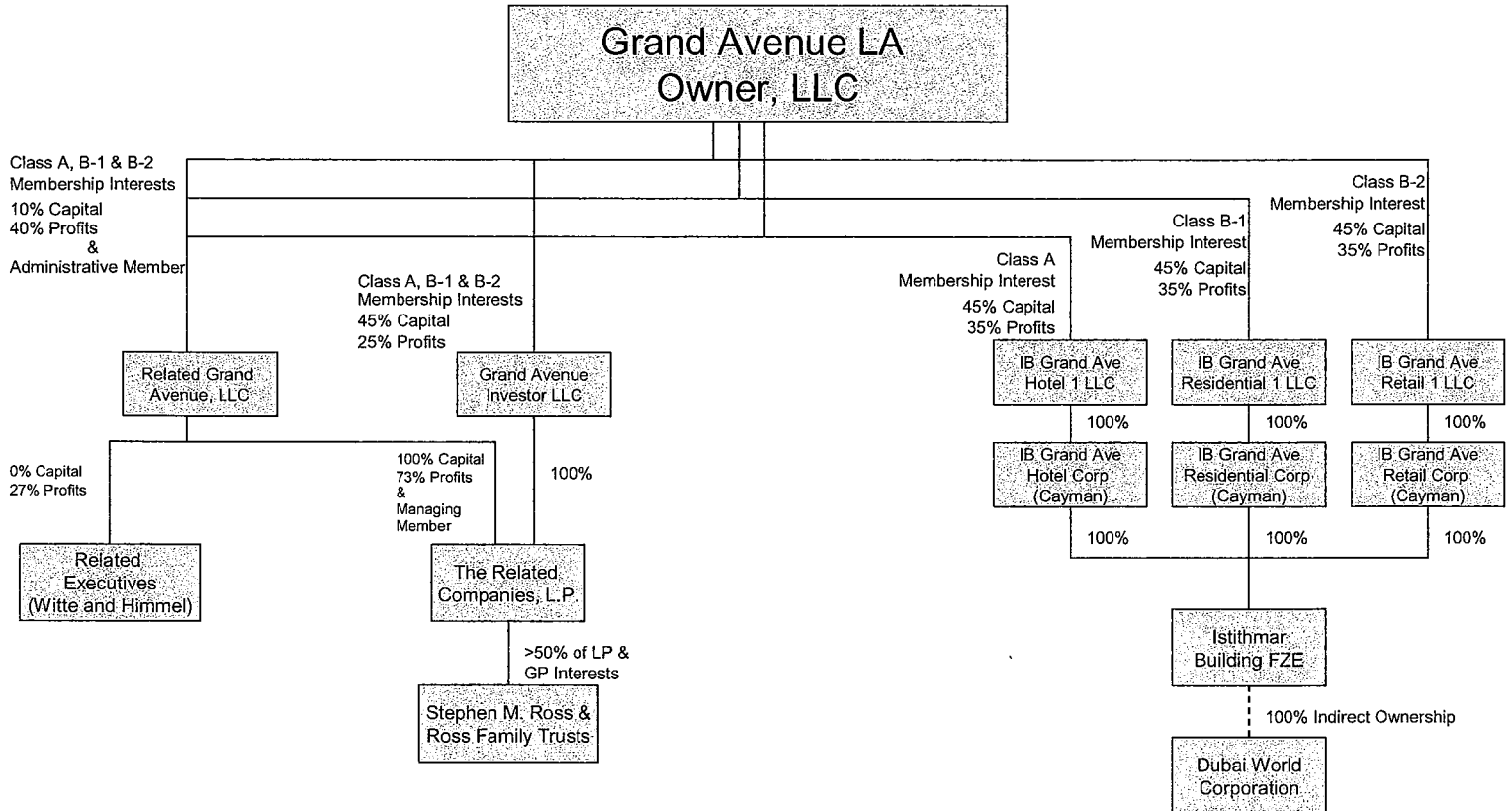


ATTACHMENT B

NEW OWNERSHIP STRUCTURE OF GRAND AVENUE LA, LLC

(Replaces Schedule 1501 to the DDA)





ATTACHMENT C

THE LOS ANGELES GRAND AVENUE AUTHORITY
c/o The Grand Avenue Committee, Inc.
445 S. Figueroa Street, Suite 3400
Los Angeles, CA 90071

March 11, 2008

Grand Avenue L.A., LLC
c/o The Related Companies, L.P.
60 Columbus Circle, 19th Floor
New York, NY 10023

Re: Consent to Change in Ownership Structure of Grand Avenue L.A., LLC (“Developer”)

Ladies and Gentlemen:

Reference is hereby made to that certain Disposition and Development Agreement (Grand Avenue) between Developer and The Los Angeles Grand Avenue Authority, a California joint powers authority (“**Authority**”) dated as of March 5, 2007 (the “**DDA**”) and that certain Phase I Ground Lease between Developer and Authority dated as of March 5, 2007 (the “**Ground Lease**”). Capitalized terms not defined herein shall have the meanings given them in the DDA.

As of the date hereof, Developer’s sole members are (a) Related Grand Avenue, LLC (“**RGA**” a wholly-owned subsidiary of The Related Companies, L.P., a New York limited partnership (“**Related**”)) and (b) CUIP Grand Avenue, LLC (“**CUIP**”).

Pursuant to Articles 9 and 15 of the DDA and Article 11 of the Ground Lease, Developer has requested the consent of Authority to the restructuring of Developer’s ownership structure as follows (collectively, the “**Restructuring**”):

1. The members of Developer will be Grand Avenue LA Owner, LLC, a Delaware limited liability company (“**Owner LLC**”), Grand Avenue LA Hotel, LLC, a Delaware limited liability company (“**Hotel LLC**”), Grand Avenue LA Affordable Housing, LLC, a Delaware limited liability company (“**Affordable Housing LLC**”) and Related Grand Avenue II, LLC, a Delaware limited liability company (“**Series D Member**”).

2. IB Grand Ave Hotel 1 LLC, IB Grand Ave Residential 1 LLC and IB Grand Ave Retail 1 LLC, each of which is a Delaware limited liability company and an indirect, wholly-owned subsidiary of Istithmar Building FZE (collectively, the “**Istithmar Group**”) and Grand Avenue Investor, LLC (“**Grand Avenue Investor Group**”), which is a Delaware limited

profits. The Grand Avenue Investor Group will be a member of Owner LLC with an aggregate 45% capital interest and the remaining member of Owner LLC will be RGA (the “**Related Group**”) with an aggregate 10% capital interest. Collectively, the Related Group and the Grand Avenue Investor Group will have an aggregate 65% interest in the profits of Owner LLC. The Related Key Personnel (as defined in Section 906(1) of the DDA) will have a greater-than 30% interest in the profits of RGA.

3. Hotel LLC will initially be owned 50% by Owner LLC and 50% by RGA. RGA’s interest in Hotel LLC will be transferred to Mandarin Oriental (Los Angeles), Inc., a Delaware corporation (“**Mandarin**”).

4. Developer has indicated that in the future Grand Avenue Investor Group may (i) substitute one or more investment entities in place of the Grand Avenue Investor Group or (ii) add one or more investment entities together with the Grand Avenue Investor Group or (iii) transfer interests in the Grand Avenue Investor Group (collectively, the “**Grand Avenue Investor Group Permitted Transfers**”), provided that, in each such case, (A) after giving effect to any such transfer each investor in any such subsequent investment entity and in the Grand Avenue Investor Group is either (x) an Institutional Investor (as defined in this letter); or (y) an entity that has as its investors all Institutional Investors (as defined in this letter); (B) Related will continue to provide credit support for the obligations of the Grand Avenue Investor Group and all subsequent investment entities to contribute capital to the Owner LLC for development of the Project in accordance with and subject to the terms of the operating agreement for Owner LLC (the “**Owner LLC Agreement**”) (provided that the Owner LLC Agreement shall not be amended to change the Grand Avenue Investor Group’s aggregate 45% interest in the capital of Owner LLC or its obligations to contribute capital to the Owner LLC without the prior approval of the Authority), and (C) Related will maintain Control at all times of all such investment entities and the Grand Avenue Investor Group.

As used in this letter “**Institutional Investor**” shall mean one or more of the following: (a) a real estate investment trust, bank, savings and loan association, investment bank, insurance company, trust company, commercial credit corporation, pension plan, pension fund or pension advisory firm, mutual fund, government entity or plan, provided that any such Person referred to in this clause satisfies the Eligibility Requirements; (b) an investment company, money management firm or “qualified institutional buyer” within the meaning of Rule 144A under the Securities Act of 1933, as amended, or an institutional “accredited investor” within the meaning of Regulation D under the Securities Act of 1933, as amended, provided that any such Person referred to in this clause (b) satisfies the Eligibility Requirements; (c) an institution substantially similar to any of the foregoing entities described in clauses (a) or (b) that satisfies the Eligibility Requirements; or (d) any entity Controlled by any of the entities described in clause (a), (b) or (c) above. As used in this letter “**Eligibility Requirements**” means, with respect to any person or entity that such person or entity (i) has total assets (in name or under management but

Grand Avenue L.A., LLC

March 11, 2008

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excluding from such calculation the value of any assets related to any Phase of the Project owned, directly or indirectly, by such person or entity) of at least \$500,000,000, except that following completion of Phase I of the Project, such person or entity shall have total assets of at least \$200,000,000 (excluding from such calculation the value of any assets related to any Phase of the Project owned, directly or indirectly, by such person or entity), with such amounts increased, but not decreased, on a quarterly basis by the same percentage increase as the increase in the CPI; (ii) has capital/statutory surplus or shareholder's equity of at least \$150,000,000 (excluding from such calculation the value of any assets related to any Phase of the Project owned, directly or indirectly, by such person or entity), except that following completion of Phase I of the Project, such person or entity shall have capital/statutory surplus or shareholder's equity of at least \$50,000,000 (excluding from such calculation the value of any assets related to any Phase of the Project owned, directly or indirectly, by such person or entity), with such amounts increased, but not decreased, on a quarterly basis by the same percentage increase as the increase in the CPI; (iii) is not prohibited from transacting business under any executive orders or lists published by the Office of Foreign Assets Control with respect to Specially Designated Nationals and Blocked Persons; and (iv) at all times prior to completion of Phase I of the Project, has experience in the ownership or financing of properties in the United States which are comparable to the Project, as reasonably determined by the Authority.

The Restructuring is depicted on the ownership chart attached hereto as Exhibit "A-1," and the ownership of Owner LLC and each of the Istithmar Group, the Grand Avenue Investor Group and the Related Group is depicted on the ownership chart attached hereto as Exhibit "A-2." In connection with Developer's request for the consent of the Authority for the Restructuring, Developer submitted drafts of the agreements set forth on the list attached hereto as Exhibit "B" (the "**Operating Agreements**").

Authority hereby consents to (A) the Restructuring as described herein and shown on Exhibit "A-1" and Exhibit "A-2" attached hereto, provided that the final Operating Agreements for Developer, Owner LLC, Hotel LLC, Affordable Housing LLC and RGA are all in substantially the same form and substance as the final Operating Agreements presented to the Authority prior to the date hereof, and (B) subject to satisfaction of the applicable conditions set forth in paragraph 4 herein, the Grand Avenue Investor Group Permitted Transfers. The references in the DDA to Schedule 1501 are hereby deemed to refer to Exhibit "A-1" and Exhibit "A-2" attached hereto. This consent letter shall not be construed as a consent to any Transfers other than those expressly described herein.

Developer has represented to Authority that the Restructuring will be completed within 60 days after the date of this consent letter (except for the transfer of RGA's interest in Hotel LLC to Mandarin, which will be completed within 120 days after the date of this consent letter). If the Restructuring is not completed within said 60 day period (and if the transfer of RGA's interest in Hotel LLC to Mandarin is not completed within said 120 day period) in exactly the

Grand Avenue L.A., LLC

March 11, 2008

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form described above and on Exhibit "A-1" and Exhibit "A-2," then Authority reserves the right to rescind this consent and review the proposed Restructuring again.

Authority further hereby consents to Istithmar Building FZE or its wholly-owned subsidiary exercising the rights of CUIP under Article 9 of the DDA and Article 11 of the Ground Lease (such party is referred to herein as the "**CUIP Successor**"); provided, however, that in order to exercise the right of CUIP under the penultimate paragraph of Article 9 of the DDA (and the penultimate paragraph of Section 11.2.2 of the Ground Lease) to temporarily replace RGA as the Administrative Member of Developer, the CUIP Successor must (i) have experience in the ownership or financing of properties in the United States which are comparable to the Project, as reasonably determined by the Authority, and (ii) have an office in the United States staffed with experienced real estate executives who have the authority to make decisions and respond to questions and provide information regarding the development of the Project during the entire time (if any) that such CUIP Successor temporarily replaces RGA as the Administrative Member of Developer.

Authority reserves all consent rights under the DDA with respect to any Transfers of the interests in Series D Member. In addition, any holders of membership interests in the Series D Member shall be Controlled by Related and shall be Institutional Investors; provided that for purposes of the foregoing, the "**Eligibility Requirements**" shall be deemed to be as follows: such person or entity must (i) have total assets (in name or under management) of at least \$500,000,000 (excluding from such calculation the value of any assets related to any Phase of the Project owned, directly or indirectly, by such person or entity), with such amounts increased, but not decreased, on a quarterly basis by the same percentage increase as the increase in the CPI; (ii) have capital/statutory surplus or shareholder's equity of at least \$150,000,000 (excluding from such calculation the value of any assets related to any Phase of the Project owned, directly or indirectly, by such person or entity), with such amounts increased, but not decreased, on a quarterly basis by the same percentage increase as the increase in the CPI; (iii) not be prohibited from transacting business under any executive orders or lists published by the Office of Foreign Assets Control with respect to Specially Designated Nationals and Blocked Persons; and (iv) have experience in the ownership or financing of properties in the United States which are comparable to the Project, as reasonably determined by the Authority.

Please confirm your acknowledgment and agreement to the foregoing by countersigning where indicated below and returning an executed original of this letter to the undersigned.

[Signatures On Next Page]

Grand Avenue L.A., LLC
March 11, 2008
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Very truly yours,

THE LOS ANGELES GRAND AVENUE
AUTHORITY,
a California joint powers authority

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM:

Rockard J. Delgadillo
City Attorney

By: _____
Timothy J. Chung
Deputy City Attorney

APPROVED AS TO FORM

Raymond G. Fortner, Jr.
County Counsel

By: _____
Helen S. Parker
Principal Deputy County Counsel

Acknowledged and agreed this ____ day of _____, 2008.

GRAND AVENUE L.A., LLC,
a Delaware limited liability company,

By: RELATED GRAND AVENUE, LLC,
a Delaware limited liability company,
its Administrative Member

By: THE RELATED COMPANIES, L.P.,
a New York limited partnership,
its Managing Member

By: The Related Realty Group, Inc.,
a Delaware corporation,
its sole General Partner

By: _____
Stephen M. Ross, Chairman and Chief Executive Officer